

Q1 2020



City of Upland Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Upland In Brief

Upland's receipts from January through March were 26.6% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 4.0%.

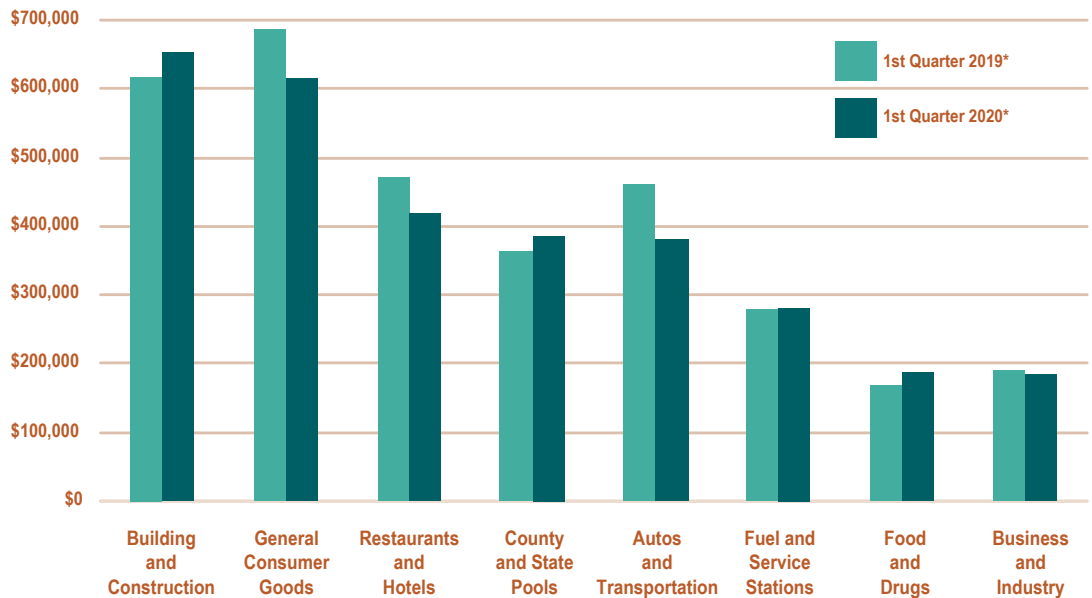
Deferred payments from businesses taking advantage of the state's 90-day filing extension and delayed allocations from some large businesses were the main causes of the variance between cash and actual sales. A large multi-year negative adjustment in the county pool that offset continued pool growth as a result of the Wayfair decision, also contributed to the sharp decline in cash receipts. Covid-19 restrictions impacted sales in many business groups.

All major retail categories were down as general consumer goods actual sales dropped 10.6%. Similarly, all dining categories were lower; restaurant sales decreased 10.9%. The automotive sector declined 17.0%, while business and industry sales dipped 2.7%

Building and construction held up well posting a 6.0% gain. Food and drugs gained 11.1% as most stores were allowed to remain open. Service stations sales were flat.

Net of aberrations, taxable sales for all of San Bernardino County declined 2.2% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Lowes
Caliber Collision Centers	Marshalls
Chick Fil A	Mountain View Chevrolet
Circle K	Nordstrom Rack
CVS Pharmacy	RV Spa
Dick's Sporting Goods	Stater Bros
Euclid Arco	Target
Ford of Upland	TJ Maxx
G&M Oil	USA Gasoline
Holliday Rock	Vons
Home Depot	Vons Fuel
In N Out Burger	Walmart
Kohls	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$9,819,727	\$8,670,329
County Pool	1,291,850	1,070,266
State Pool	5,058	4,559
Gross Receipts	\$11,116,634	\$9,745,154

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

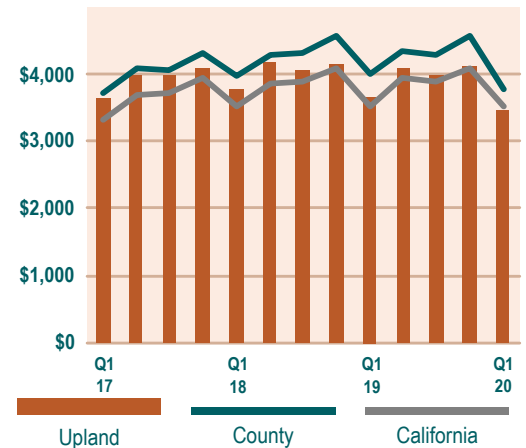
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

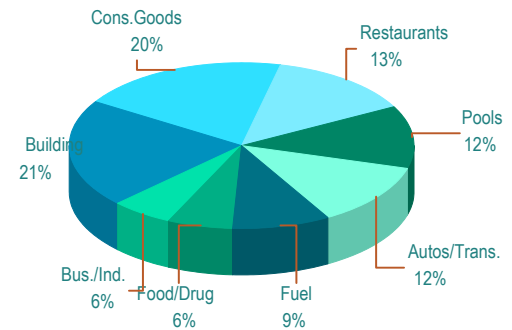
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Upland This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

UPLAND TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Upland Q1 '20*	Upland Change	County Change	HdL State Change
Auto Repair Shops	51.6	-12.5%	-8.8%	-7.5%
Building Materials	379.0	-2.2%	4.0%	3.0%
Casual Dining	137.0	-19.6%	-17.8%	-18.8%
Contractors	233.1	25.1%	17.8%	3.1%
Convenience Stores/Liquor	50.9	-1.8%	-1.1%	-4.4%
Department Stores	—	CONFIDENTIAL	-37.2%	-34.6%
Discount Dept Stores	—	CONFIDENTIAL	1.8%	3.2%
Electronics/Appliance Stores	59.8	-9.6%	-17.8%	-18.0%
Family Apparel	68.0	-16.4%	-23.2%	-21.1%
Fast-Casual Restaurants	57.5	-6.3%	-7.9%	-9.9%
Grocery Stores	98.4	20.4%	11.0%	11.8%
New Motor Vehicle Dealers	—	CONFIDENTIAL	-12.9%	-10.6%
Quick-Service Restaurants	218.9	-5.3%	-4.3%	-8.5%
Service Stations	278.7	0.9%	-8.1%	-9.5%
Specialty Stores	84.6	-9.0%	-13.7%	-10.1%
Total All Accounts	2,720.7	-5.2%	-5.3%	-7.3%
County & State Pool Allocation	384.5	5.5%	22.1%	22.4%
Gross Receipts	3,105.2	-4.0%	-2.2%	-3.0%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.